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Congressional Record S. 6282-84 - Inflation and Wage-Price Control

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INFLATION AND WAGE AND PRICE CONTROLS

Mr. GRIFFIN. Mr. President, of course this Senator has taken note of the action yesterday reportedly taken by the Democratic majority in caucus when, as I understand it, a policy statement was adopted calling for extension of standby authority for the President to impose wage and price controls.

It seems to me that, although the experience has been rather painful, most Members of Congress and the people of the country have learned that wage and price controls do not provide an appropriate answer to the problem of inflation. In fact, controls have been the cause of dislocations in the economy and have actually created shortages which, in turn, have exacerbated the inflation problem.

After that experience, if another wage and price control program were to be instituted, the Congress would want to have a strong hand in its formulation—that Congress would want to play a major role in any such policy decision.

Where is—what has happened to—this interest on the part of Congress to reassert its constitutional responsibilities in the legislative process?

Instead of asserting that role and exercising its responsibility, the resolution on the part of the Democratic majority, as I understand it, would simply hand to the President of the United States broad, unfettered discretionary authority to put into effect, whenever he pleases, whatever wage-price control program he chooses. Of course, thereafter, I am sure there would be considerable criticism aimed at the President regardless of what he did.

I must admit that this maneuver on the part of the Democratic majority may be good politics. But I do not think the country, at a time like this, is looking for politics as usual. I believe the country would expect from Congress a different attitude, a different posture than that.

So, having taken notice of the action of the Democratic majority on yesterday, as for myself, I would respond by challenging the Democratic majority to put into effect the wage and price control program they think would be appropriate at this time—rather than merely handing over broad, unfettered authority to the President of the United States.

If the Democratic majority really believes that wage and price controls are the answer to inflation, then they should also decide and put into effect by legislation the program of wage and price controls they want?

If the Democratic majority really thinks it is the answer, then by all means

I suggest to them—indeed, I would challenge them—to put their wage-price control program into effect.

As for me, although I regret that the rate of inflation is higher now than it has been, I also realize that such controls are not the answer. This is one Senator who has learned the lesson which many television viewers learned when they saw farmers killing their baby chickens last year because prices would not justify buying the feed to raise them. As a result, a shortage of chickens developed for a period. Instead of holding prices down, the experience with controls has been that prices are pushed up by shortages resulting from the program.

Mr. MANSFIELD. Mr. President, the distinguished acting Republican leader does not need to challenge the Democratic majority, so-called, because he is well aware that there are Members on his side of the aisle who know that at this moment the inflationary rate in the country stands at 14.5 percent for the first 3 months or more.

As far as the kind of wage and price controls I would want are concerned, I deplored the fact that the President, a year ago last January, terminated phase II, which was working effectively in the fields of wage and price controls. He made a mistake at that time because phase III and phase IV have been utter failures.

This is not a question of politics as usual. Every Senator feels the inflation in his pocketbook. Every Senator's family does, too. But that is of secondary significance. It is the ordinary working people of this country who are feeling inflation the hardest and being given the least in the way of consideration. It is the pensioner and the retiree, those on fixed incomes, who are the ones paying the price. They are the ones who should be given the consideration which is their due.

It is not just up to the so-called Democratic majority in Congress. It is up to the administration and Congress, working together, to try to do something to bring about at least an alleviation of the problem which confronts the Nation as a whole today, a problem which is getting worse, a problem which John Dunlop, this administration's Director of the Cost of Living Council, referred to yesterday in disputing the administration's figures that there would be a downturn in the inflationary rate for this quarter.

Mr. President, we cannot get away from the fact that over the past calendar year, from March 1973 to March 1974, this Nation endured a 10.5 inflation; that for January, February, and March of this year the inflation rate was 14.5 percent, and it has not gone down.

We cannot gainsay the fact that the market is declining. I really do not know what that means, because I own no stock. We cannot avoid the fact that there has been a decrease of 5.8 percent in the gross national product. We cannot avoid the fact that bargainings are going to occur sometime this spring between the major labor unions and their employers; and with no controls on whatsoever, the Lord only knows what is going to happen to wages and prices then.

The unions may get sizable increases in their wages, and they are entitled to good increases, because they have acted with tact, discretion, and restraint during the past 2 years. But what good is an increase in wages going to be if the increase in inflation supersedes that increase?

I know that the U.S. Chamber of Commerce is not interested in any type of wage and price control. I received a telegram from Mr. Booth this morning, indicating his opposition to what the Democrats in conference just considered on yesterday. I received a telegram from the AFL-CIO this morning saying the same thing. I also received a telegram from at least one other union. Evidently, they were caught by surprise. They evidently did not think that we had any sense of responsibility or concern. They seemed to ignore the fact that we are trying to look after the interests of the people as a whole.

No, Mr. President, this is not politics as usual. This is something which the administration and Congress—Republicans and Democrats—should work together on, so that some alleviation could be achieved in so far as the welfare and the betterment of the people of the Nation are concerned.

The distinguished Senator from Wisconsin (Mr. PROXMIER) was not in favor of the resolution passed yesterday. He was the only one I knew of. He had left before the vote was taken, but when the vote was taken, it was unanimous on the part of those in the Chamber. The Senator from Wisconsin was primarily responsible, he and his committee, for having passed in the Senate—agreed to by the House and signed by the President, reluctantly—the price and wage controls which the President, when he ordered the first devaluation of the dollar, on August 15, 1971 or 1972, put into effect. Then, when he put phase II into effect, it worked. The big mistake was for the administration to take off phase II. So far as I am concerned, speaking as a Senator from the State of Montana, I would like to see phase II restored, because I think the people are entitled to some consideration.

This is not politics as usual. If we sit on our fannies and do nothing, let me tell you that a lot of Republicans and Democrats, come this November—if not before—are going to pay a political price. But it is not politics. It is economics, and everybody can feel the effects in their pocketbooks.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield?

Mr. MANSFIELD. I am delighted to yield.

Mr. ROBERT C. BYRD. Mr. President, I congratulate the distinguished majority leader on his response to the so-called challenge from my distinguished friend, the assistant Republican leader.

The Democratic majority does not need any challenges. It needs only to take notice of the statement made by the administration's own Secretary of Agriculture, Mr. Butz, to the effect that prices in the grocery stores will be up 12 percent this year.

The President of the United States said, a few years back, that he did not want the Economic Stabilization Act, that he did not want the standby authority; but Congress enacted the measure anyhow, providing standby authority for the President to impose controls, and he finally got around to using it. In August of 1971, he imposed a 90-day freeze, and in November of 1971 he imposed phase II price controls. They worked exceedingly well throughout the year of 1972.

In January 1973, those controls were prematurely lifted by the administration; and as we all know, and as the distinguished majority leader has said, phases III and IV proved to be colossal failures.

Mr. President, I do not become overly concerned about challenges; but inasmuch as a challenge has been laid down, I return the challenge to the Republican leadership and Republicans on the other side of the aisle who have consistently been very cooperative with the Democratic leadership in meeting problems of the country. Inasmuch as the gauntlet has been thrown down, I challenge the Republicans to cooperate with the Democrats in bringing some succor and comfort to the old people of this country, and other people who are living on pensions and other low and middle income groups who are going to be faced with the same 12-percent increase in the grocery stores that is going to confront everybody else.

I say that the President should be given the standby authority. Whether he uses it or not, is something else. But if those controls are used properly and at the right time, I think they can and will work. I say give him the authority all across the board. Controls have been used properly in some instances; they have been used improperly in other instances. I am not going to say they will not work. Perhaps it is the way they have been applied and the timing by which they have been applied. But give the President the authority.

To maintain that the 535 Members of Congress can administer a price control program is pure bunk. The authority has to be lodged somewhere, and that somewhere is in the Chief Executive officer of this country. Let us give him the authority. He said he did not want it once. But he used it well in Phase I and II. He says he does not want it now. But I do not want to be driven at some later date to reimpose controls in this country. Let us take appropriate and timely action now.

If we do not give the President such authority now, I know what the distinguished assistant Republican leader is going to be saying in November: "These prices are out of hand. Of course, the President did not ask for the authority, but the Democratic Congress sat on its fanny. It could have given him the authority. It elected not to do anything." The Democratic-controlled Senate—at least, the leadership and the Democrats in caucus—has proposed to do something rather than nothing.

I hand the challenge back to the assistant Republican leader. Let us take action now to protect the people against runaway inflation.

Mr. GRIFFIN. Mr. President, will the majority leader yield, for a brief response?

Mr. MANSFIELD. I am delighted to yield.

Mr. GRIFFIN. I commend both the majority leader and the assistant majority leader for their very eloquent responses. It seems to me, however, that they have not answered the point which the junior Senator from Michigan was seeking to make, and that is this: The Democratic majority—and, incidentally, if this has turned into a partisan political dialog, I regret it, but it came about—

Mr. MANSFIELD. The Senator is doing his best to do that very thing.

Mr. GRIFFIN. That is right. It came about because of the action taken yesterday by the Democratic caucus in a political session; obviously, I think some response from our side is in order.

Mr. MANSFIELD. If the Senator will yield right there, talking about a Democratic political caucus on yesterday, when the Republicans meet every Tuesday, should I refer to that as a Republican political dinner caucus?

Mr. GRIFFIN. I suppose that depends on what we do and what sort of statements we make.

But in this instance, what is very apparent and what is so obvious—and I would imagine that it should be to the country—is that the Democratic majority is not proposing to do anything at all about the problem of inflation—which all us concede is a serious problem.

I join in calling attention to the figures cited. They are deplorable. One of the reasons why they are so high, one of the reasons why we have inflation, is that wage price controls have been in effect and they did not work. Instead, they made the problem worse. What we need to do is to increase production—to increase the supplies; then prices will come down.

Mr. MANSFIELD. Phases III and IV did not work. Phase II did work, and the Senator knows it. He cannot gainsay—he does not gainsay—the fact that the present rate of inflation for this calendar year so far is 14.5 percent and going up. He cannot gainsay the fact that there has been a decline in the gross national product of 5.8 percent at the end of March, probably higher now. He cannot gainsay the fact that negotiations will be carried on which may well create a situation more difficult than the present. He cannot gainsay the fact—and this is a positive factor—that unemployment has decreased from 5.2 to 5.1 percent; nor can he gainsay the fact that the most recent Wholesale Price Index shows an inflationary increase of more than 19 percent, and this has yet to be translated into a consumer increase of even greater than 19 percent. So the trend is up.

We argue here and accuse each other of being political, when we ought to be cooperating with one another and working with the administration to face up to the needs of the American people.

Mr. President, I ask unanimous consent that the Stevenson resolution which was adopted unanimously by those present at the Democratic conference on

yesterday—a conference, may I say, called at my request and on my initiative, something which I seldom do—be printed in the RECORD, so that it will be before the Senate and the public to consider and to look at.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

RESOLUTION ADOPTED BY SENATE DEMOCRATIC CONFERENCE ON APRIL 24, 1974

Whereas, the overall rate of inflation is at its highest level in 23 years, consumer prices are climbing at the highest rate since 1948 and wholesale price increases continue at double digit levels; and

Whereas, real gross national product is falling at the steepest rates in 16 years and the real earnings of wage earners continue their decline; and

Whereas, all authority to control wages and prices (except in the petroleum sector) and to secure and enforce commitments to exercise price restraint and expand industrial capacity will expire in seven days; and

Whereas, if all such authority is abruptly abandoned, a new surge of inflation will ensue with renewed pressure to impose wage and price controls; and

Whereas, runaway inflation poses a serious threat to the economic well-being of the nation;

Now, therefore, be it resolved that the Democratic Conference condemns the Administration's abandonment of the fight against inflation, pledges its efforts to improve the economic condition of the nation and to that end specifically supports legislation to restrain inflation by 1.) requiring the Executive Branch to monitor all sectors of the economy, private and public and enforce economic stabilization decontrol commitments; and 2.) permitting within a reasonable time an orderly termination of the wage and price controls program and be it further,

Resolved, that the leadership shall select the appropriate legislative vehicle on the Senate floor within the immediate future to permit these proposals to be considered and enacted by the Senate.

The ACTING PRESIDENT pro tempore. The time allocated to the joint leadership has expired.

Mr. MANSFIELD. Will the distinguished Senator from Wisconsin agree to yield 2 minutes out of his time?

Mr. PROXMIRE. I would like to get into the debate.

Mr. MANSFIELD. I should like to give the acting Republican leader an opportunity to respond, because I have taken up too much of his time.

The ACTING PRESIDENT pro tempore. Under the previous order, the Senator from Wisconsin (Mr. PROXMIRE) is recognized for not to exceed 15 minutes.

Mr. PROXMIRE. Mr. President, I yield 2 of those minutes to the Senator from Michigan.

Mr. GRIFFIN. The problem is that to merely grant the President broad authority to impose wage and price control would be illusory. It might look as though Congress were doing something about inflation but, in fact, it would be doing nothing. Many people could be misled, and attention would be diverted from need for action on the other fronts that would really combat the causes of inflation.

Let me say this: If the Democratic majority really believes a phase II type wage price control program would be ef-

fective, then I believe they ought to legislate it—vote it into effect. And later, when they think it should be terminated, it could be terminated by legislation.

Mr. ROBERT C. BYRD. Would the Senator really vote for it?

Mr. GRIFFIN. No, because I do not think it would work.

Mr. MANSFIELD. Did it not work?

Mr. GRIFFIN. The Democrats have the votes to do it. If they think a 5.5-percent wage ceiling, for example, should be imposed on labor in this country, they ought to do it.

Mr. ROBERT C. BYRD. Along with a ceiling on interest rates?

Mr. GRIFFIN. The Democrats have the votes to do it. At least they ought to try to do it, rather than to merely give the President all this authority and then criticize him for what he does or does not do.

Mr. MANSFIELD. We do not criticize the President. The Senator has criticized the Democrats. We want to work with the President for the common good.